Editorial

Corporate branding in utilities and telecoms

There was a time when brand management appeared to be inextricably linked to product management in multi-divisional, packaged-goods organisations. But in recent years the frontiers of brand management have shifted. Many of the most interesting and challenging issues are being raised by non-traditional marketers. Instances of this are to be found among utility and telecom organisations in the UK.

Two decades ago marketing-related questions were not routinely on the lips of utility and telecom managers — the public-service ethos ran deeply and it seemed irrelevant to discuss marketing matters. Today managers are only too aware of what is at stake — such has been the influence of privatisation, competition and deregulation during the 1980s and 1990s. A recent study commissioned by Test Research[1] found that 90 per cent of managers in these sectors believe strong corporate branding to be very/fairly important — the figure was lower in water — 75 per cent — but in the electricity industry it rose to 100 per cent.

In the early stages of privatisation many of the questions revealed an underlying scepticism: Why should organisations that have trouble meeting existing demands engage in branding? Is not corporate branding a needless luxury for organisations with a near-monopoly in their industry or region? Today the questions are less sceptical and more constructive. In what ways are utilities and telecoms different from traditional branded organisations? Can they learn from other organisations or — indeed — can they teach something to others?

THE CHALLENGES

Many of the challenges facing utilities and telecoms are distinctive to their sector — the privatisation of the Welfare State, wide-ranging re-structuring, the power of regulators, the threat of new legislation and windfall taxes on company profits. But, in other respects, these organisations are subject to the same commercial pressures as any large and established company:

— *Competition may strike from unexpected directions.* British Gas is as likely to find itself competing with BP/Mobil or Esso/Exxon as with an overseas gas supplier. The electricity sector is as likely to come under the financial control of Hanson as stay in the hands of PowerGen, National Grid, Yorkshire Electric or Scottish Power. Perhaps gas and electricity bills will be paid at the supermarket checkout — after all, 20 years ago who would have thought that we would be buying petrol from Tesco, Sainsbury and Asda.

— *Competitive pressures are no longer confined to product-specific national markets.* What we face now is the globalisation of competition, with open and transparent markets, and capital and labour mobility. Are Mercury and People's Phone the major threats to BT's potential growth markets — or are US cable operators such as Telewest, Nynex and Bell Cablemedia much more threatening? Where consumers have a choice they appear to be ready to change their allegiance, as British Gas is finding out in south west Britain.

— *Consumers are looking critically at the company behind the brand.* Where once it was possible to hide behind bureaucratic policies and civil-service secrecy, today consumers are wanting to know more about their suppliers — their record on business ethics, environmental policy, social concerns, community involvement, employment and the pay, behaviour and attitudes of senior executives. Both British Gas and Yorkshire Water are learning this the hard way. Those companies who get it right — Body Shop, Co-operative Bank, Asda — learn to be watchful of their reputation and learn to avoid double-standards as much as is humanly possible.
— *It is no longer appropriate to have a fragmented portfolio of largely free-standing product brands.* BT has grasped the nettle by bringing its array of products under the BT umbrella. Royal Mail has moved decisively in this direction — its raft of potentially fragmented and confusing products (Mailsort, Customer Barcoding, Direct Entry, etc) are clearly subservient to the Royal Mail Masterbrand. The aim is for consumers to recognise these products as part of a coherent portfolio.
— *New media are available to convey corporate messages.* Media are becoming global on a heroic scale — with implications for how best to communicate with customers. Around the world, millions of people are routinely tuning into CNN and MTV for global news and entertainment. We are rapidly becoming an information-rich society — from the information superhighway to home banking. There are new possibilities for communicating directly with customers, moving beyond routine billing, to informative direct mailing and interactive communication that adds real value.
— *Strategic alliances are forming.* The possibilities in utilities and telecoms are intriguing: BT and Sky, Powergen and Direct Line insurance, British Gas and Visa, the AA and NORWEB. Fantasy, or the future? Obviously there needs to be some credibility in the view that these brands are now offering the best of both worlds. The question is whether 2+2 equals 5 in the mind of audiences — and not 3.

However, there is a distinct possibility that large utilities see these developments as threats rather than opportunities. Certainly managers will be more exposed and vulnerable in the new economic order. This is where corporate branding can be used to good effect.

THE ROLE OF CORPORATE BRANDING

The corporate brand ought to be a coherent and visible expression of an organisation's values, vision and identity. This needs to be managed actively — with flare, creativity and imagination. This demands senior management attention (at least in the sense of *visioning* if not day-to-day implementation). It needs to be inspired and integrated by the top. BT's pied-piper logo may be somewhat whimsical for a telecoms business, but there is no doubting what it signifies. It marks the decisive changes that have swept through the organisation. Most would agree it now has the marketing essentials: customer focus, creativity, quality, vision and integration — although only after ten long years of culture change and upheaval.

Around the organisation's own view of its brand are perceptual filters. These can be thought of as lenses through which different audiences interpret the communications which help to position the brand. Each audience will have both emotional and cognitive responses to the communications messages — attaching meanings to the brand. Sometimes these meanings will match those intended by the organisation, but this cannot be assumed nor guaranteed.

The meanings attached to utility and telecom brands are going to be mixed. For some, British Gas has become so closely associated with the term 'fat-cats' that all recognition of the functional attributes and achievements has been lost. Awareness is exceedingly high, but the negative connotations appear to be implacable, adding grist to calls for a de-merger of the activities of British Gas. Then there is Yorkshire Water — consumers are asked to save water, while simultaneously they see a third of their supply leak away through faulty pipes. It is clear that some utilities have a long way to go before they master their corporate brand, but the need for visionary management is only too apparent. In order to make the case we should note the very considerable external and internal benefits that flow from corporate branding.

THE EXTERNAL BENEFITS OF CORPORATE BRANDING

The external benefits are of both an economic and non-economic nature. Economically, corporate branding should help utilities and telecoms to:

— *Avoid the perils of commodification.* Electricity is a *commodity* — an electric shaver does not know nor care whether the power comes from Yorkshire Electric or SWEB — this does not mean it must be marketed as a commodity. By offering something that is distinctive, unique and differentiated, consumers might be persuaded to down-grade price and give more attention to other, added-value features of the product or service — price structures, payment methods, distribution channels, service deals, installation and maintenance levels. The challenge is to identify an aspect of the business that is really distinctive. The Co-operative Bank does this in saying it is like all other banks (reliable, trustworthy, etc), but it is also ethical. Perhaps there is a place for a green, clean and ethical electricity company. Co-operative Electricity?

— *Maintain a price/quality premium.* Consumers will be prepared to pay more if they feel confident about the quality, reliability, and consistency of goods and services. Look no further than M&S. Obviously, reassurance is only credible if it is matched by what goes on at the point of product or service delivery. Again, look no further than M&S. Where prices are regulated, the issue is not so much about justifying a price premium, but ensuring that consumers are aware of why they pay what they pay — that they are getting value-for-money. Also, the message of branding should help the regulator to realise that 'lowest price' is not the same as 'customer value' — prices at Poundstretcher are lower than at M&S, but more consumers are prepared to put their faith in the latter than the former.

— *Secure 'must stock' status.* The 'must stock' principle argues that a retailer cannot afford to be without certain brands because customers will expect to find them in stock. At present this has greater relevance for telecoms than other utilities, but two variations on this theme — 'must get a quote from' and 'must be on the short-list' — have wider significance. Think of IBM — always in stock, always quoted, always on the short-list. Size helps, but a well-branded image helps too. In an era of open competition this becomes increasingly important. NORWEB seems to know this already — as it retains its own High Street outlets and buys SWEB showrooms in southern Britain.

— *Influence the perceived value of the organisation.* This may be a matter of ensuring that branded assets are fully valued by the financial community, or that the perception of value is used to secure a high take-over price or a high flotation price. In mobile telephony, the success of Orange as a distinct brand means that the Orange tag is being taken to the stockmarket rather than the Hutchinson parent name. The distinctiveness of Orange compared to Cellnet might well influence perceptions of the flotation price. There again, what is the acquisition price of a strong regional electricity company like NORWEB compared to a weak player?

If people come to have a favourable view of the company, its products and services, the marketing task is easier. The high awareness of Orange — a relative newcomer in the UK telephony market — shows what can be achieved. This directs our attention away from economic issues to the non-economic benefits of corporate branding:

— *Build brand awareness.* The process of privatisation is a matter of pride for some; for others it is a matter of concern at the dismantling of social planning. It would be naive to think that marketers will resolve ideological debates, but certainly the debate among regulators, legislators and the public will be guided by people's attitudes and experiences. Building awareness, therefore, is not a cosmetic issue.
— *Secure a well-grounded competitive advantage.* Price-cutting is by far and away the simplest way to achieve a competitive advantage, but rarely is this sustainable. Used strategically, branding offers an alternative which is less likely to be buffeted by short-term pressures and tactical actions of competitors. Usually what really matters to consumers is quality and performance — the purity of the water supply, the number of leaking pipes, the responsiveness of repair teams, the accuracy of water bills — rather than rock bottom prices.
— *Foster brand loyalty/retention.* Customers — be they trade or final customers — will keep coming back to your brand because they know it (brand awareness) and trust it (perceived quality). Over time, patterns of loyalty/retention will be established. Significantly, if the entry of BP-Alliance into the gas market is to work it will have much to do with the trust placed in BP, which has high brand awareness and is seen as a quality operator, rather than Alliance.
— *Resist the incursions of me-toos and copycats.* Branding offers some protection for your investment in product and service innovation — it gives you an opportunity to reap the benefits before your ideas are copied.
— *Facilitate brand extensions.* It is common to use existing brand awareness, attitudes, images, and patterns of loyalty/retention to extend into new product and geographic markets. For utilities this might mean moving out of heavily regulated markets — where prices and fees are controlled — into new arenas of business (such as data processing, information services, or training and education).

Strategic questions are raised about which markets to enter, when, how, and with what payback. Just how far will the elastic stretch? Is it best to be a solid regional brand — a SWEB with interests in gas, electricity and other energy-related businesses? Or is more national and international expansion the answer — as seen in the recent activities of Scottish Power, Hanson, and MANWEB? Are the corporations of tomorrow to sell gas and electricity, central heating and financial services? NORWEB telecoms? British Gas PEPs? Or will the tables be turned? Because BP is safe, reliable, good value and a trusted brand, consumers will turn to BP for all these services, and flee from traditional utilities.

THE INTERNAL BENEFITS OF CORPORATE BRANDING

The list of external benefits is long and impressive, but it is arguable that the most significant aspect of corporate branding is its internal function. The notion of 'managing the employee brand' has particular poignancy for those organisations experiencing dramatic cultural changes and upheavals, such as utilities and telecoms.

Employees look to the corporate brand as an expression of the organisation's mission, values and identity. Used effectively, the core brand can create a sense of trust, belonging and commitment among employees, which should give rise to better and more informed communications with external audiences.

Exemplary companies such as American Express, 3M and Singapore Airlines see staff, and the service delivery levels of their employees, as ways to support the main positioning of the brand. If for no other reason than the fact that staff are the most direct link between the organisation and the consumer. How true this ought to be for utilities and telecoms as well. But how widely is this recognised?

Consider *staff recruitment*. Thousands of people might see a recruitment advert. Most of these people will not be recruited — but they might remain customers and consumers. So, take another look at those adverts. What do they say about the company? Do they reflect the vision, mission and identity that the company is seeking to portray in its corporate communications? What do existing staff think of the recruitment adverts? Perhaps the direct marketing campaign portrays a dynamic, innovative, and forward-thinking company — but if the recruitment adverts say 'old-style civil-service' then a credibility gap emerges. PepsiCo and Fosters/Courage have taken the trouble to integrate their recruitment adverts with their branding — to good effect. How do most utilities compare?

INTEGRATION OF THE CORPORATE BRAND

To be effective in these diverse contexts it is important that an integrated approach is adopted. Here we are thinking about the coherence of the brand and the consistency of the communications.

Consider what can happen if this fact is ignored. As a British Gas consumer I welcome its commitment to customer care, but as a small shareholder I am unimpressed with the messages coming from the board (Sid, the archetypal small shareholder, is now persona non-grata) and as an employee I feel threatened by the prospect of redundancy ('how many gas show-rooms are to close?', 'what are the implications of demerger?').

There are two things to note about this example: first, the messages are inconsistent — on the one hand the talk is of customer care, but there is also a perception of executive/corporate greed, and demoralised staff at the point of service delivery; secondly, the recipient of these messages might be the same person wearing different hats — the employee shareholder who owns a gas appliance.

British Gas is not alone in this regard. The executive traveller flying with BA to New York is also the family man who flies on holiday to Spain — does he then choose BA? Gerald Ratner may have been addressing the CBI when he announced — 'most of what we sell is crap', — but the media, his franchisees and his consumers quickly got to hear. The 140,000 people who work for BT are going to be phone users and subscribers in their own right. Some of those who are no longer direct employees may continue to act as third-party contractors, and many will be private shareholders.

Astute organisations recognise that everyone needs to be involved in the brand — staff, suppliers and shareholders, as well as customers, consumers and communities. By making the vision, mission and identity clear to them all they are able to sing from the same song sheet. Consumers become advocates and partners. Staff feel valued and appreciated. 'Help us to help you' is how Readers' Digest express it.

This has implications for corporate communications. Communication is no longer about talking at people, but attempting to dialogue with them. Can corporate advertising achieve this? The evidence is mixed. Sid and Derrick put a human face on the privatisation of gas and electricity, but they appear to be atypical. Perhaps the answer lies through-the-line and below-the-line, with more direct means of communication — direct mail, telemarketing, event-management, sponsorship?

Seen in this light, corporate branding can reinforce programmes of culture change that impact on staff attitudes as well as consumer attitudes. This will have resonance for anyone currently working at National Grid, National Power, PowerGen, MANWEB, SWEB, Yorkshire Electricity, and all other utilities and telecoms that are coming to terms with the effects of privatisation, deregulation and greater competition.

We see that the commercial pressures on utilities and telecoms are not unique — despite the fact that these organisations are undergoing some of the biggest changes in their history. The significance of corporate branding for adding value and for communicating the changes is incontrovertible. But, more importantly, it is as a vehicle for internal communication that the greatest contribution is to be made.

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Editorial Board

Reference

(1) The work by Test Research is reported in 'Marketing in the Utilities: A Survey of Consumers and Utility Management', (1995), and was commissioned by Royal Mail.

Footnote

This is an abridged version of a talk given at *Connections: The Utilities Seminar* held on 20th February 1996, sponsored by Royal Mail.